# - Summary -

# Cibolo Canyon Conservation and Improvement District No. 1 Proposed Development Agreement (as presented to City Council on March 14, 2002)

This document represents a summary of the proposed Development Agreement between the City of San Antonio, the Cibolo Canyon Conservation and Improvement District No. 1 and Lumbermen's Investment Corporation as of March 13, 2002. None of the parties has agreed to any of the terms or provisions included in this draft unless and until all parties have been authorized to sign and have signed the document.



# The Cibolo Canyon Conservation and Improvement District No. 1

# Location

- The Cibolo Canyon Conservation and Improvement District No. 1 (the District) is located outside of the San Antonio city limits in the City's extraterritorial jurisdiction within Bexar County.
- The District<sup>1</sup>, which includes approximately 2,861 acres, is bordered by Bulverde Road to the west, Evans Road to the south, Cibolo Creek to the east and where Bulverde Road turns into Smithson Valley on the north.

# **Legislative Authority**

- City Council endorsed State legislation authorizing the creation of the District on March 8, 2001. As part of the legislation, a Development Agreement approved by City Council would be executed prior to creation of the
- Creation of the District would provide the City with an opportunity to acquire open space within the District. The District also would support the City's goal of promoting San Antonio as a premier tourism destination while attracting the Professional Golfers Association (PGA), a
- golf course developer and operator.
  Senate Bill 1629 established the Cibolo Conservation and Improvement District No. 1 in May 2001. Creation of the District is subject to a Confirmation Election<sup>2</sup> of the District's property owners.

# Jurisdiction

All taxing entities that currently collect taxes from this area, including Bexar County, University Health System, North East Independent School District, Judson Independent School District and Alamo Community College District, will receive additional benefits from the utility and road improvements within the District.

### **Powers**

- The District has all of the powers and duties provided by the general law of the State of Texas for a limited purpose entity as limited by Senate Bill 1629. The District does not have the power of eminent domain outside the District. The District can expand its boundaries with Council approval.
- The District may impose: property taxes; sales/use taxes; hotel occupancy taxes; assessments; and impact
- The District's revenues may be used for: the payment of debt; maintenance and operating expenses; administrative expenses; and infrastructure.

# **Development Agreement**

The Agreement is a proposed document between the City of San Antonio, the Developer (Lumbermen's Investment Corporation) and the Cibolo Canyon Conservation and Improvement District No. 1. Upon approval, the document would be legally binding.

# **Development Rights**

Lumbermen's filed a Preliminary Overall Development Plan (POADP) on January 20, 1995 for 1,812 acres. The POADP filing provides grand-fathered (vested) rights to Lumbermen's Investment Corporation (LIC) for the 1,812 acres, designates the land a Category 1 (100

<sup>1</sup> District - The Cibolo Canyon Conservation and Improvement District No. 1 is a Special Utility District which can levy and collect taxes.

<sup>2</sup> Confirmation Election - the election to be held in accordance with the act to confirm the establishment of the District and to elect the initial Directors of the District

- percent impervious cover<sup>3</sup>) under the Water Quality Ordinance, and exempts the land from most provisions of the Unified Development Code because it is outside the City's jurisdiction.
- The District includes the Carabetta tract (257 acres), the Wolverton tract (785 acres) and the LIC property (1,816 acres). The Developer will contractually limit impervious cover to no more than 15 percent of the total surface area for the entire 2,858 acres.
- If the Development Agreement terminates
  - Before construction begins on a hotel, impervious cover requirements will revert to POADP submitted in January 1995.
  - After construction begins on a hotel, impervious cover requirements move from Category 1 to Category 2 status (30 percent impervious cover).
  - After completion of a hotel, impervious requirements move from Category 2 to Category 3 status (15 percent impervious cover).
- No water will be drawn from the Trinity Aquifer wells located on the property except during the construction of a hotel and the construction of Cibolo Canyon Blvd. Therefore, no Trinity well may be used following the completion of the hotel or once water is provided by San Antonio Water System (SAWS).

# Milestones (Significant Events)

- Execution Date will be determined once the following items have been met:
  - City Staff must approve the Development Plan
  - The Developer has submitted proposed Land Use Restrictions to the City of San Antonio. The City must receive a Letter of Intent from the

  - The City must receive a Geological Map of sensitive recharge features.

# **Election Date**

- The Conveyance of Open Space to the District will occur when:
  - The Fair Market Value (FMV) of Open Space Tracts is determined.
  - Independent appraisers hired by the City and the Developer determines FMV
  - Conservation Easement is delivered to the
  - No later than 120 days following the Election
- Organize the District and hold the Confirmation
- The District enters into Reimbursement Agreement with the Developer.
- The District executes Fire Station Lease site and delivers into escrow.
- The District executes Trail Head Tract Lease and delivers into escrow.
- Development Documents The City's consultant or legal counsel will review all development agreements with the Hotel and PGA under terms of confidentiality. The following Development Documents must be delivered within six months of the Execution Date:
  - Hotel Development Agreement the agreement executed by the Developer and the Hotel Owner pursuant to which the Hotel Owner is obligated to acquire the Hotel Tract from the Developer and
  - construct the Hotel, subject to the terms. **Hotel Management Agreement** an agreement between the Hotel Owner and the Hotel Manager for the operation of the Hotel.
  - PGA Agreement the agreement between the PGA and the Developer pursuant to which PGA will construct, acquire and or operate the PGA complex. The complex will comprise of no fewer than two golf courses, a learning center and related amenities on the tract(s) of land identified in the Development

# **Hotel Commencement**

- Construction will begin on or before December 31,
- Construction commencement may be extended by 12 months provided that the Hotel Development Agreement excludes all financing contingencies.

<sup>3</sup> Impervious cover – any permeable construction covering the natural land surface including pavement, roads, parking areas, buildings, pools, patios, sheds, driveways and sidewalks.

- After the Hotel construction begins, the Developer will provide to the City detailed progress reports every six months.
- Reports will include status of construction progress and estimated completion dates for the Hotel and PGA complex.

# **Hotel Completion Date**

- The Hotel Completion will be determined upon the issuance of a Certificate of Completion by the Bexar County Fire Marshall.
- 0
- The PGA complex also must be completed. The Hotel Completion must occur within three years after the Hotel Commencement Date.
- The District must complete the following improvements:
  - Trail Head improvements
  - ▲ Cibolo Canyon Road
  - Intersection upgrades as required by the City's Traffic Improvement Assessment (TIA) code ▲
  - Conservation easement for the open space tracts is released from escrow
- **Public Improvements –** The District and the Developer are required to complete certain public improvements. All public improvements must comply with the City's building and development codes. The District will be responsible for all project costs. All projects include City and Developer requested improvements. All public improvement projects may be funded from the revenues of the District.
  - The District will provide the following projects as requested by the City:

    O Trail Head Improvements Public access must be
    - provided into the 5.8 acres of open space located behind the Hotel site. These improvements, not to exceed \$250,000, must be approved by the City and completed on or before the Hotel Completion date. The District will lease the tract to the City for nominal consideration and the City will acquire title to this tract upon annexation.
    - Cibolo Canyon Blvd. Extension -- Construction of a four-lane divided roadway from Highway 281/Stone Oak Parkway intersection to Bulverde Road is estimated to cost \$4.0 million. It will be consistent with the City's Major Thoroughfare Plan. The City will acquire right-of-way donations from adjacent property owners. The project must be completed within the later of two years of the Hotel Completion date or two years after the acquisition of the right of way by the City.

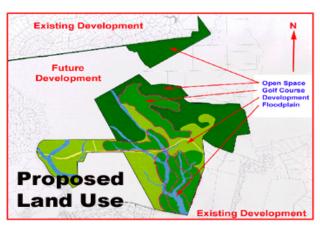
- Evans Road and Drainage Improvements –

  ▲ Low water crossing along Evans Road east of Bulverde will be done 10 years after the hotel completion date. Cost of improvements cannot exceed \$6.0 million (present value is estimated at \$2.3 million).
- A Letter of Credit will be provided for both the Evans Road Improvements and the Cibolo Canyon Extension Project. This letter is due no later than 30 days following the Hotel Completion date. The amount of the Letter of Credit is determined by the estimated cost for each of the projects.
- Fire Station Tract (at Bulverde/Cibolo Canyon) --The District will lease to the City 2.499 acres of land for nominal consideration. The location could serve as a possible fire station site on Bulverde Road. The land will be conveyed to the City upon annexation.
- Fire Station No. 28 Contribution The Developer will contribute \$250,000 toward the construction of Fire Station No. 48 located on Bulverde Road south of Evans Road.

# The following projects will be completed by the Developer for the District:

- Water and Sewer to Date Includes water and sewer improvements that have been previously expended by the Developer and improvements to the Northeast Quadrant Waterline Project. Funding will be provided for the Steubing North Sanitary Sewer Outfalls phase one, off-site as required by the Developer's contract with SAWS. Estimated cost is \$6.8 million.
- On-site/Off-site Sewer Line -- Includes acquisition of off-site sanitary sewer easements and improvements to the Steubing line. Includes construction of sanitary sewer lift station, gravity mains and related improvements. Estimated cost is \$4.5 million.
- On-site Water -- Domestic water system improvements along roadways and public easements. Estimated cost is \$2.7 million.
- Major Thoroughfare Roadway Improvements Includes the Cibolo Canyon Blvd., comprised of four lanes divided. It also includes the Judson Road extension, the north-south collector comprised of two lanes, which is consistent with the City's Major Thoroughfare Plan at an estimated cost of \$12.5
- Traffic Signal and Intersection Upgrades -Provides for a traffic signal light at Bulverde Road and Cibolo Canyon Parkway and all other traffic

- improvements as required by the City's Traffic Improvement Assessment code. Estimated cost is \$1.0 million
- Water Quality Monitoring and Irrigation --Developer will be responsible for all water quality monitoring, conservation and construction compliance improvements required by the Environmental Management Plan.
- Mitigation Land Developer may be required to purchase additional land outside the District to comply with federal mitigation requirements. Land will be an asset of the District and will not expand the boundaries of the District.



## **Open Space Tracts**

- Open space tracts will consist of the Carrabetta, Wolverton and Lumbermen's tracts totaling approximately 1,100 acres. These tracts will be conveyed by the Developer to the District before 120 days after the Confirmation Election.
- The purchase price for the Carrabetta tract is \$5,100 per acre plus interest. The purchase price for the remaining open space will be based on the fair market value to be determined within 90 days of the Confirmation Election of the District.
- The Carrabetta tract (257acres) may be used for mitigation purposes. Mitigation for the remaining open space tracts are limited to the City's imposed conservation easement. All open spaces tracts may be considered in determining the 15 percent impervious cover restriction.
- The conservation easement will preserve the open space tracts by limiting their use. The open space tracts will be preserved in their natural, scenic and open space condition for the enjoyment and education of the general public. Native plants and animals will be protected. The quality of groundwater and surface water will be maintained.
- Land Use Restrictions Restrictions run with the land and are binding upon the Developer and all parties that may have future right, title or interest in the land. Every contract or deed conveying the land or any portion must accept these restrictions.
  - Water Pollution Abatement Plan (WPAP) Approval **Process** – A WPAP for each development is submitted to SAWS and the Edwards Aquifer Authority (EAA) prior to submission to the Texas Natural Resource Conservation Commission (TNRCC). The most stringent requirements of either SAWS or EAA must be submitted to TNRCC. If there is an irreconcilable conflict between SAWS and EAA, the City resolves the conflict.
  - The City's Tree Preservation Ordinance applies.

  - City aquifer ordinances apply. SAWS drought management applies. Impervious cover is not to exceed 15 percent.
  - Buffering is required of sensitive features.
  - Above ground storage tanks only as approved by SAWS.
  - No water wells may be drilled or operated.

# Non-Golf Course Areas

- Landscaping restrictions enforced by SAWS
- Organic fertilizers, if certified for use by SAWS.
  Organic pesticides and herbicides, if certified for use by SAWS.
- SAWS' construction requirements

- Golf Course Areas
  O Three golf course tracts (680 acres) restricted to open space/golf courses.
- Golf course tracts must observe SAWS' Golf Course Management Plan.

# **Enforcement**

- The City, SAWS, District or Developer can enforce restrictions.
- Breach can be addressed by injunctive action or monetary damages
- Remedies set forth in Golf Course Management Plan and Development Agreement also apply to golf course tracts. **Termination --** Land use restrictions terminate if
- Development Agreement terminates before Hotel Completion date.

## SAWS - Cibolo Canyon Golf Course Environmental Management Plan

- The purpose of this Plan is to ensure the protection and non-degradation of the Edwards Aquifer.
- The Plan requires various key components to be submitted to SAWS for review and approval. These additional plans are specific to the following:

# Design Plan

- Includes several Best Management Practices (BMPs) with the goal resulting in stormwater runoff meeting drinking water standards. Sensitive recharge features will be protected by a buffer of 60-100 feet minimum.
- SAWS will be allowed to modify the buffer requirement in order to achieve the maximum protection to the sensitive feature.

  Other BMPs require that irrigation ponds be
- lined and storm water be treated prior to leaving the golf courses.

# Storm Water Pollution Prevention Plan (SWP3)

- Specific Water Pollution Abatement Plans (WPAPs), which include the geological assessment and storm water treatment plans, are required for each golf course.
- The WPAPs will be submitted to SAWS prior to submittal to the TNRCC. SAWS will not only review the WPAPs for
- Chapter 213 compliance, but also for compliance with the Environmental Management Plan and the Development Agreement. SAWS must provide written approval or comment to the engineers within 45 days of receipt of the WPAPs. Storm Water Construction

- SWP3 will be required to be submitted and maintained on-site at all times during construction operations.
  The SWP3 will include sediment controls,
- practices for minimizing erosive flows and requirements for establishing vegetative cover.
- The construction will be a phased approach to reduce the amount of disturbed soils at any one time. Imported soils will be free of contamination and documented as to its origin and content.
- Under the Development Agreement, the golf courses along with the entire District will maintain an impervious cover of 15 percent or
- Additionally, under the Development Agreement, the District shall remain a Category 3 property, as defined by the City's Aquifer Water Quality Ordinance. The 15 percent limit of impervious cover for the District will be strictly monitored and enforced throughout the entire phase of development.

# **Materials Management**

- The Environmental Management Plan requires the proper storage, handling, and management of all materials (pesticides, fertilizers, solvents) utilized in golf course operations. Examples include the requirement of secondary containment, lockable containment, fire resistant building materials and the requirement of a covered area for all mixing operations.
- The use of underground storage tanks and on-site sewage facilities (septic systems), within the District is prohibited.
- The strictest requirements shall be adhered to with regard to Aboveground Storage Tanks (ASTs). The ASTs will be required to utilize double-walled tanks and piping, along with

- electronic recordkeeping and monitoring.

  Integrated Pest Management Plan

  The golf courses will be required to follow the least toxic control strategy to maintain turf, as outlined in the Integrated Pest Management Plan.
- Organic and/or biological methods of controlling pests will be used as a first option for preventing and controlling pests (weeds, diseases, insects). Only after these options have been exhausted will chemical applications be performed.
- No application of chemicals will be allowed within the Buffer Zones. SAWS will approve all chemicals, based on their leaching capabilities and other parameters. Comprehensive documentation (date, quantity, turf type) associated with the application of chemicals will be maintained for SAWS'

# Nutrient Management Plan

The applications of fertilizers will not be calendar driven, but based on the needs of the turf's requirements. A nutrient budget will be established for the turf based on results obtained from both plant and soil analyses.

- No applications will be allowed in Buffer
- A granular, slow release form of the fertilizers will be used to reduce leaching capabilities.
- Strict documentation will be required.

# **Turf Management Plan**

- Turf grasses will be adapted to local environmental conditions with well-established pesticide and fertilizer maintenance requirements
- Sodding will be required where there is a high probability of erosion.

### Irrigation Plan 0

Based on water need obtained from evapotranspiration rates, readings from an on-site weather station and soil moisture content.

# **Water Quality Monitoring Plan**

- Consists of three main sampling components: surface water, leachate monitoring and groundwater.
- The locations for all of the monitoring sample points will be strategically placed in order to provide a comprehensive perspective of the golf courses.
- Surface water sampling will be the key to understanding the water quality of the tributaries, as 60-80 percent of recharge occurs in bodies of water.
- The leachate monitoring will be important in understanding water quality just below the turf
- A minimum of at least four wells will be used to
- evaluate groundwater quality. Both the Trinity and the Edwards aquifers will be evaluated using a conceptual hydrogeologic model standard for karst aquifers.
- Parameters analyzed will be based on chemical constituents used within the golf course. The objective is to identify any possible adverse impact to surface water prior to any impact to groundwater.

# Corrective Action

- Safe Drinking Water Standards and Texas Surface Water Quality Standards will be used to set trigger levels for subsequent action to be implemented. In the case of a water quality impact, immediate actions will be taken which include reducing and/or eliminating the elevated chemical constituent. A Corrective Action Plan shall be implemented and remedial action may be required. Fines of up to \$10,000 a day per fine may be levied. The District is required to have a Letter of
- Fiscal responsibility for enforcement actions
- for \$1 million.

  Financing Objectives Funding for the public improvements to be made in the District will be derived from the issuance of bonds and loans, revenues to be received by the District and by the Developer. The financing objectives are to design a financing mechanism that will: implement financial controls; provide financing flexibility to fund approved public improvement projects; limit the City's potential financial liability; minimize the City's and the District's risk.

  Conditions to Be Satisfied Before Bonds Can Be
  - Sold -- Prior to the sale of bonds or incurrence of inferior debt, the following events must occur:
    - The Hotel construction must be completed.
    - All public improvements to be financed with debt must be approved by the City.
    - A fiscal consultant must complete and deliver to the City, District and Developer, a comprehensive financial analysis.
    - Citizens living in the District must vote on bond and inferior debt issues by holding an election, which will authorize the sale of bonds and inferior debt. **Categories of Debt –** There are four security levels of
  - debt that define the level of financial risk to the bondholders, lenders, District and Developer:
    - The most secure level of debt is the Senior Bonds that can only be sold if historical and future revenues of the District are certified by a fiscal consultant
    - The second and lower level of security applies to the Subordinate Bonds that requires a fiscal consultant to certify that historical and future revenues of the District exceed all Senior and Subordinate Bonds annual debt service payments by ten percent for each year that such debt is outstanding.
    - The third level of debt is called Inferior Debt and has no requirement to demonstrate the District's ability to make the annual debt service payments on such Inferior Debt. The risk is with the holder of such Inferior Debt and is ultimately the risk of the Developer to make the Inferior Debt annual debt service payments.
    - The lowest level of financing security pertains to Reimbursement Debt. Reimbursement Debt is the least secure and has the lowest District payment

priority. Reimbursement Debt is the sole risk of the . Developer and is a result of Developer incurred costs pertaining to land acquisition; costs of creating the District; and maintenance and operation expenses of the District that are incurred prior to the District producing revenues.

- **Bondholder Security –** Principal and interest payments to individuals and institutions that may want to buy Senior Bonds, Subordinate Bonds or Inferior Debt are secured by the payments to be made by the District from revenues derived in the District. These sources of revenue are:
  - Property tax collections
  - O Hotel occupancy tax collections
  - 0 Sales tax collections
  - Any other sources of District revenue 0
  - Debt service reserve fund balance
  - Accumulated fund balances exclusive of the debt service reserve fund
- Bonds Repayment Term and Debt Service Reserve -The Senior Bonds, Subordinate Bonds and Inferior Debt must be paid on or before the 20<sup>th</sup> year from the date that the Hotel construction has been completed. To provide additional security to pay the annual principal and interest on the Senior and Subordinate Bonds, a Debt Service Reserve Fund will be established and will retain an amount of money that is equal to the average annual debt service payments on such bonds.
- Priority of Cash Flow As revenues are collected by the District, the priority use of such revenues is as follows:
  - The payment of annual principal and interest requirements on the Senior Bonds
  - 0 The payment of annual principal and interest requirements on the Subordinate Bonds
  - The payment of maintenance and operation 0 expenses of the District
  - The payment of annual principal and interest 0 requirements on the Inferior Debt
  - Any lawful purpose including payment on the 0 Reimbursement Debt

## Initial Bond Issuance Tests -

- Prior to the sale of any Senior Bonds, a fiscal consultant must perform a comprehensive financial analysis and certify that the estimated District revenues will exceed Senior Bonds annual principal and interest payments by 25 percent for each year that the debt is outstanding.
- Prior to the sale of any Subordinate Bonds, a fiscal consultant must perform a comprehensive financial analysis and certify that the estimated District revenues will exceed the annual principal and interest payments for all Senior and Subordinate Bonds by 10 percent for each year that such debt is outstanding.
- The fiscal consultant's comprehensive financial analysis and certification for the initial issuance of Senior and Subordinate Bonds must be delivered to the City, the District and the Developer prior to proceeding with the sale of the Senior Bonds or Subordinate Bonds.

# Additional Bond Issuance Tests -

- Subsequent to the initial sale of Senior Bonds and prior to the sale of any Additional Senior Bonds, a fiscal consultant must perform a comprehensive financial analysis and certify that the historical and estimated District revenues have and will exceed Senior Bonds annual principal and interest payments by 25 percent for each year that the debt on all Senior Bonds is outstanding.
- Subsequent to the initial sale of Subordinate Bonds and prior to the sale of any Additional Subordinate Bonds, a fiscal consultant must perform a comprehensive financial analysis and certify that the historical and estimated District revenues have and will exceed all Senior Bonds and Subordinate Bonds annual principal and interest payments by 10 percent for each year that the debt on all Senior and Subordinate Bonds is outstanding.
- The fiscal consultant's comprehensive financial analysis and certification for the issuance of Additional Senior and Subordinate Bonds must be delivered to the City, the District and the Developer prior to proceeding with the sale of the Additional Senior or Subordinate Bonds.
- Early Retirement of Bonds In the event that revenues of the District are in excess of projections, the District may elect to pay off all outstanding principal and accrued

interest on the Senior and Subordinate Bonds prior to the scheduled payment dates.

- Such option to prepay the principal and accrued interest on the outstanding Senior and Subordinate Bonds may be exercised subsequent to the 10th year that such bonds have been sold and may be paid in full in years 11 through 20 from the sale date of the Senior and Subordinate Bonds.
- No bonds may be prepaid prior to the 10th year after completion of the Hotel construction However, in the event that bonds are sold with a scheduled payment period that is shorter than 20 years, but such prepayment would be elected subsequent to the 10th year after completion of the Hotel construction, the District may exercise an extraordinary call provision to prepay outstanding principal and accrued interest on any Senior and
- Subordinate Bonds at any time.

  District Tax Levies The Development Agreement requires the District to levy or impose annual property taxes, hotel occupancy taxes and sales taxes at rates that are equal to or greater than the property tax, hotel occupancy tax and sales tax levied or imposed by the Citv.

### Annexation

- The City agrees to defer annexation of this land for a period of 10 years following Hotel Completion Date or termination of the Development Agreement by default of the Developer.
- The District and the Developer agree to consent to annexation by the City upon termination of the Development Agreement.
- The City may annex land following the first 10 years. The City may void the bonds or if the bonds are subject to optional redemption, redeem the outstanding bonds upon annexation.
- The Developer agrees that all indebtedness will be discharged 20 years following Hotel Completion.
- The City's annexation of the land, following the termination of this agreement by the Developer or the District, allows the Developer to waive all right of payment or reimbursement from the City.
- Termination Events the failure to complete any of the following events would cause the termination of the Development Agreement: Confirmation Election

  - Completion of each of the Milestones
  - Conveyance of conservation easement, conveyance of open space restricted tracts, the fire station tract and the trail head tract
  - Conveyance of golf course tracts to PGA

# The Development Agreement proposes the following benefits to San Antonio:

- PGA Golf Courses and Learning Center
- Marriott Resort Hotel (500 rooms)
- Acquisition of 1,100 acres of open space
- Trail Head improvements to open space Major Thoroughfare Construction (Cibolo Canyon Extension) ō
- Low water crossing improvements (Evans Road)
  - Fire Station tract
- \_ \_ Contribution for the construction of Fire Station No. 48

# The Development Agreement proposes the following environmental protection measures:

- Golf Course Environmental Management Plan
- Approval of Development Plans by SAWS and EAA
- Water Quality Monitoring Plan
- Water quality monitoring for surface and ground water
- \_ \_ Nutrient budgeting
- Turf analysis
- ū Control strategy for pesticides
- Water conservation improvements
- Letter of Credit for aquifer contamination clean up for \$1 million
- Impervious cover limitation of 15 percent
- Limitations on the use of on-site Trinity Aquifer wells
- Compliance with City's Tree Preservation Ordinance

# **Public Hearings**

- Thursday, March 21, 2002 6:00 p.m. City Council Chambers
- Thursday, March 28, 2002 Time to be announced City Council Chambers

(Each of these public hearings will be broadcast LIVE on cable channel 21)

This summary and other information related to the Cibolo Canyon Conservation and Improvement District can be found on the City's Internet website at www.sanantonio.gov/pgavillage.